



Valley Telephone Cooperative, Inc.
VTX Communications, LLC
VTX Telecom, LLC

Dave Osborn
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April 19, 2012

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC
Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC
Docket No. 03-109, WT Docket No. 10-208
Written Ex Parte Communication**

Dear Ms. Dortch:

Valley Telephone Cooperative, Inc. ("Valley") recently filed a letter with the Federal Communications Commission (the "Commission") regarding its intent to seek waiver of the rule implementing the quantile regression analysis methodology if the Wireline Competition Bureau ("Bureau") adopts such a methodology for HCLS and ICLS.¹ In the Letter, Valley listed several reasons why waiver of the rule implementing this methodology would be warranted including the numerous flaws in this methodology.² Valley hereby provides additional detail regarding one of these flaws, errors in data associated with the independent variables, and urges the Bureau to immediately address all such errors in data.

In the *USF-ICC Order and FNPRM*, the specific regression methodology proposed by the Bureau for calculating individual company caps for high cost loop support is set forth in Appendix H.³ This methodology utilizes several independent variables which play a critical part in determining the "Model Allowed" values in the overall regression analysis.

¹ See Letter from Dave Osborn, CEO of Valley to Ms. Sharon Gillett, Chief, Wireline Competition Bureau, WC Docket No. 10-90 *et al.* (dated Mar. 29, 2012) ("Letter"). This methodology is currently under consideration in the *USF-ICC Order and FNPRM*. See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carrier; High-Cost Universal Service Support; Developing an Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("*USF-ICC Order and FNPRM*").

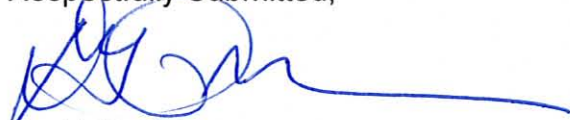
² Letter at 1.

³ See *USF-ICC Order and NPRM* at para. 1079.

One of these variables is land area.⁴ Valley has reviewed the data that pertains to the land area covered by Valley's study area that was used by the Bureau in its regression analysis and has found the data to be inaccurate. According to the Bureau's data, the land area covered by Valley's study area is reported to be 6,895.26 square miles when, in fact, the land area is 7,674.96 square miles.

This error in land area is not an isolated case. On the contrary, other companies have reported errors in the land area data as well as other errors associated with the independent variables.⁵ While Valley still believes more data inputs relevant to the operations of a rural Telco is needed to properly analyze any waste or excessive costs, it is imperative that all data that is used is accurate and properly correlates to the financial numbers reported by each company. The land area and other independent variables play a critical part in the overall regression analysis. Valley urges the Bureau to immediately correct all errors that exist in the data associated with the independent variables before finalizing any results or conclusions.⁶ Otherwise, companies' costs will not be compared with those of similarly situated companies who have no material inaccuracies which would violate a key requirement set forth by the Commission for any regression analysis ultimately adopted by the Bureau.⁷

Respectfully Submitted,



David G. Osborn
Chief Executive Officer

⁴ *Id.* at para. 1081.

⁵ See, e.g., Letter from Jerry Reisenauer, General Manager, West River Cooperative Telephone Company ("West River Telephone") to Ms. Marlene H. Dortch, Secretary, WC Docket No. 10-90 *et al.* (dated April 10, 2012) (describing that the regression analysis incorrectly reported the land area covered by West River Telephone's study area to be 260.557 square miles whereas the actual land area covered by the study area is 6,209 square miles and also reporting that the housing data was also incorrect).

⁶ At the very least, the Bureau should immediately implement a procedure which allows recipients of high cost loop support to notify the Bureau of discrepancies in the data and obtain assurances that the correct data will be used to the extent that such information is required in the regression analysis that the Bureau eventually adopts.

⁷ See *USF-ICC Order and FNPRM* at para. 217 (Commission setting forth the parameters that the Bureau should use for whatever regression analysis is ultimately adopted and requiring "that companies costs be compared to those of similarly situated companies").

VALLEY TELEPHONE COOPERATIVE, Inc
SAC 442159

NPA	NXX	EXCH	Square Miles Served
361	274	TLDN	360.07
361	539	CNCP	453.80
361	566	ANRS	782.41
361	568	ENCN	605.47
361	586	MRCY	962.31
830	373	FWTN	640.96
830	378	MLET	634.81
830	466	SNMG	390.91
830	676	ARWL	711.07
956	248	SNPL	174.88
956	481	SISD	472.53
956	486	ELSZ	660.35
956	642	LASR	140.46
956	743	STMN	106.17
956	842	MCCK	240.92
956	845	HRGL	92.84
956	944	PTMN	245.00
			7,674.96